DIRECT ACTION

The Knife at Your Throat

by Phil A. Neel, published first in The Brooklyn Rail

Swipe through any newsfeed and tales of creeping horror will press up from beneath the touchscreen: prices rising undead from the depths of the grave called globalisation, paychecks shrivelling to ash, marauders emerging from the suburban forests to syphon black gold from boreholes drilled into gas tanks. The nightmare of inflation is back. As with any horror story, there must be a monster. What, exactly, is the cause of rising prices? The political message is often as clear here as in the little boomer-humour Biden stickers popping up on gas pumps across the country. Pundits track their favoured monster to its bone-strewn lair, brandishing torches. When the monster is unveiled, there is not really a surprise: high wages, free-flowing stimulus checks, too much money spent on social programs—all different ways of saying too much money in the hands of those who were born to have less. New spending must be curtailed, the minor wave of youthful interest in unionisation drawn back, all of that too-much-money out there syphoned back into the familiar too-few-hands. The Fed, which harboured such monsters, must now take responsibility by finally raising the blade of the interest rate like Paul Volcker, patron saint of brutal technocrats and bruiseless beatings.

“The Left" takes aim at a different monster, but a monster nonetheless. Inflation isn’t induced by high wages, but by price-gouging corporations and war profiteers. If anything, price increases justify demands for higher wages, reversing the chicken and the egg. This account is usually adorned with some acknowledgement of the state of emergency in the supply chain, thereby pairing price gouging with shocks to production in a narrative that, at its most earnest, concludes that the only way to slay the monster is through a pragmatic package of price controls similar to those instituted during wartime. Here too, the lead players remain the “policymakers,” foremost among them the technocrats at the Fed. In fact, both rightwing and leftist narratives have tended to portray the past decade or so of economic turmoil as something like a prestige drama focused the intrigues of financiers and central bankers. Stephanie Kelton, former Chief Economist for the Senate Budget Committee and advisor to the Bernie Sanders campaign, does something similar in her recent bestseller popularizing “Modern Monetary Theory” (MMT), the gist of which is that all the legal and theoretical prerequisites are already in place for fiscal and financial authorities to pour money into social programs, if only they choose to. The result is that even many “socialists” have come to see the only way out of the crisis—that of inflation, certainly, but also the more general crises of economic stagnation and ecological catastrophe—as the mobilization of the Federal Reserve and the Treasury to “Fund a People’s Climate Revolution” or similar seemingly plausible programs pursued within the existing institutional environment. The strategy is to approach utopia through political compromise. But remove the embellishment and we find a more straightforward logic: The only thing that can stop a bad guy with a bank is a good guy with a bank.

The actual mechanics of inflation aren’t particularly difficult to trace at any given moment.

THE KNIFE AT YOUR THROAT

Non-Financial Corporate Profits Before Tax
(Billions USD, solid line)
Median Weekly Earnings
(CPI-adjusted USD, dashed line)
2500
2000
1500
1000
500
0
400
350
300
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022
Sources: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

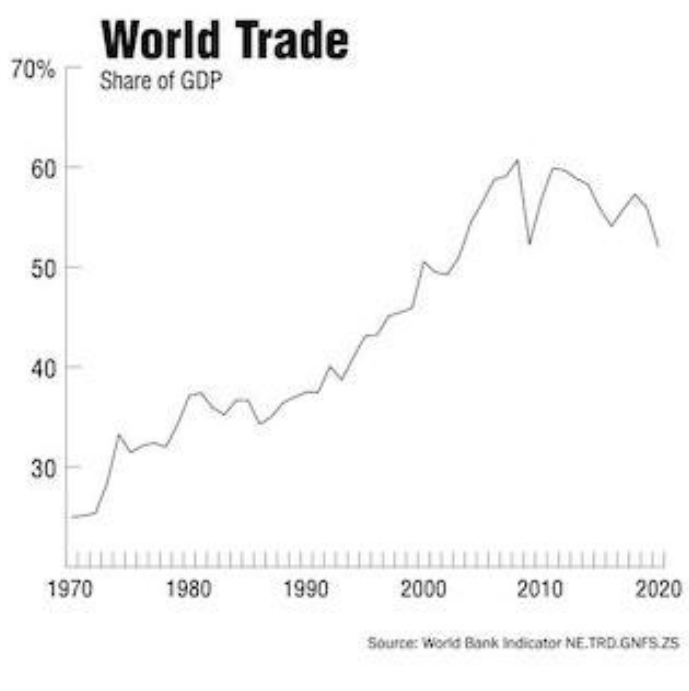
spiking suddenly in 2020 alongside the stimulus), the increase in profits over the same period far exceeded the growth in wages.On the one hand, the meagre gains that accrue to workers through wage growth do tend, over time, to be clawed back by inflation, and this creates the sense that the profits wrought from inflated prices are not normal profits but instead a special sort of monopolistic "profit gouging."At first, this hypothesis even seems to hold up to the evidence. After the spike in real earnings in 2020, there is then a second, equally sudden (and still rising) spike in the gross profits of non-financial corporations (see Figure 1, left).

Even if higher earnings and more expansive social spending may have contributed to the stagflationary wave of the 1970s (alongside high energy prices from the oil crisis), the idea that high wages or other forms of "excess demand" are always the primary engine of economy-wide inflation and, thereby, unemployment has long been disproven. It's fairly clear that the most important proximate causes of the present inflationary wave are the supply chain shortages still echoing out from the pandemic and the disruption in global energy supply caused by the war in Ukraine—facts acknowledged by conventional macroeconomic think tanks —both of which have triggered price increases that appear, initially, as rapidly rising profits. The "tight labour market" has been more of a bogeyman than a reality. Prior to the pandemic, the growth rate of real wages was modest, with wages increasing more slowly than the already-slow growth of GDP and inflation over the same years. Thus, while average earnings did climb slightly over the latter 2010s (before

While workers' real earnings had grown slightly from 2014 onward, total profits in the non-financial sector had been more or less constant from 2012 through 2020, when the pandemic caused a slight dip. After this, however, profits skyrocketed, rising in a single year by the same volume they had grown in the entire half-decade leading up to the Great Recession. Altogether, the increase in total corporate profits on its own can account for maybe half of the recent increase in costs, on average.

The remainder can only be accounted for by the original proximate causes, which are essentially limits to production. But even saying that half of the current inflationary wave is driven by rising corporate profits risks suggesting that these increased profits are an outcome of monopolies' unchecked ability to gouge prices in a fashion that is somehow less "fair" than normal methods of money-making. Ultimately, though, the spike in profits hasn't simply been the result of greedy companies

(even in extremely monopolised sectors such as oil) refusing to expand production despite an ability to do so and thereby "artificially" diminishing supply to raise prices. In many cases, sectors have been unable to profitably expand production due to these very supply-side problems. To take the most prominent example, the oil industry has so far chosen to raise prices on dwindling supplies rather than make increasingly uncertain bets on the ability of supply chains in necessary input sectors like steel and sand to deliver in adequate time and at adequate prices to guarantee that investments in expanded production will turn a profit. Overemphasising the role of monopoly profits, then, uses a real disproportion in circulation to disguise the source of this disproportion within production. In other words, tracing out the mechanics behind the inflationary wave ultimately leads us back to the sphere of production, where the shocks of plague and war have simply accelerated longer-run structural trends spanning the global economy.



On the one hand, as economic historian Robert Brenner emphasises, growth has long been premised on cycles of boom and bust where investment pours into particular asset classes—think subprime mortgages, tech stocks, or cryptocurrencies—inflating the price of those assets and thereby making new rounds of investment more likely in a self-reinforcing bubble, which ultimately ends in a crisis. These speculative cycles have become so central to growth that an entire institutional ecosystem has developed to tend to them, reshaping macroeconomic management into a sort of "asset price Keynesianism." While this might seem unrelated to limits at the point of production, the phenomenon has been driven by falling profitability in the non-financial sectors of high-income countries, particularly within manufacturing. When profitability declines, the rate of investment (especially "fixed" investment in things like plant and equipment) will also tend to decrease and capital will instead pour into whatever channels seem capable of guaranteeing greater returns. Over the past several decades, these have increasingly been sectors where returns are linked to inflating asset prices, which has also created pressure for more and more assets to be "financialized," allowing them to be more easily traded and leveraged (increasing their "liquidity") so that they can act like alternate forms of money, but with higher returns.

While the claim of falling industrial profitability in relationship to rising financialization is often associated with (strawman) Marxists making apocalyptic claims of imminent economic collapse, the basic trend is, in fact, such a widely acknowledged feature of our present economic landscape that it often merits no explicit mention. Not only is the core of the claim—the generally declining returns on investment, on average, across all lines of manufacturing—not exclusive to some imagined "heterodoxy," it is essentially commonplace across the conventional economic literature, used to account for everything from globalization and offshoring to the growth of the service sector. Michael J. Howell, an economics PhD who works as the director of a large investment advisory firm, illustrates the basic relationship well: "falling industrial profitability and the associated structural shortage of safe assets are key factors behind the long downward slide in World interest rates." These low interest rates have encouraged inflationary spikes in high-liquidity sectors, which have kept relatively stagnant economic growth rates in high incomes countries from dropping further. But these financial sectors are not merely speculative activities divorced from production, since both the construction and maintenance of global supply chains "are highly finance-intensive activities that make heavy demands on both the working capital of firms and on supplies of short-term bank credit." In other

words, the decline of industrial profitability not only drives investment into speculative financial assets, but also drives increasing complexity in the technical characteristics of production itself—including mechanisation and more meticulous divisions of labour within firms, but also a more refined and spatially dispersed division of labour between firms—which requires the mediation of ever-more-complex financial mechanisms.

On the other hand, intensifying industrial competition and more substantial economic slowdowns—all preceding the pandemic, but then amplified by it—in the handful of countries that buoyed the growth of the global economy over the past two decades (namely China) have led to a general retrenchment in the structure of supply chains and a plateauing of the growth of global trade. The "great trade collapse" triggered by the 2008 crisis was followed by the gradual "regionalization" of formerly "globalised" supply chains. These are, however, slight misnomers. The more central change has been the growth of consumer demand in the poorer countries, shaped by both the (now deflated) commodities bubble and the global process of "depeasantization," whereby the world's remaining subsistence farmers and pastoralists have largely been forced into dependence on the market (regardless of whether urban industrial employment can support them). Combined with the sudden collapse in demand in the wealthy countries, supply chains that were once centred almost exclusively around exports to North America and Europe (during the heyday of "globalisation") were subtly rerouted and diversified over the course of the 2010s to include proliferating end markets in the "emerging economies," giving production itself an increasingly regional character. Writ large, the trend is visible as a general stalling in the growth of global trade (see Figure 2, previous page).

Meanwhile, intensifying competition induced the further consolidation of firms across the board, including both the increasing monopolisation of the (capital-intensive or asset-heavy) sectors that were already heavily consolidated and a new wave of monopolisation within labour-intensive sectors. This has begun to fundamentally change the character of many formerly dispersed "sweatshop" industries, with emerging monopolies located in poorer countries now mechanising and rationalising more of their production lines to challenge the established monopsonies (big brands and retailers that control particular markets due to the scale of their purchases) and retain more of the ultimate profits lower in the value chain. These retained profits are then poured back into further acquisitions and expansions, often in emerging industrial zones in countries further down the imperial hierarchy. The process is also a fractal one, with consolidation occurring not only among the major contract manufacturers (for example, Taiwanese firm Foxconn, which assembles iPhones) but also among the sub-contractors (for example, mainland Chinese firm Lens Technology, which supplies the glass screens for iPhone production), narrowing profit margins and intensifying competition at every link in the chain. At the international level, this was accompanied by increasing geopolitical and trade competition between countries, with slowing growth in output and global trade making success and failure an increasingly zero-sum affair. Though it's fashionable to blame the so-called "trade war" with China on Trump, the reality is that the same tensions had already been building throughout the Obama administration and have continued to intensify under Biden. Similarly, they are by no means exclusive to the US. Both Japan and the EU, for example, have also pursued increasingly aggressive stances toward China, as part of a more general increase in protectionist measures visible across the globe.

This does not mean, however, that global trade or economic integration has declined. Production is still planetary. Inflation, then, isn't just a domestic policy problem that can be solved or perpetuated by central banks. In fact, not only is the emergence of US dollar inflation linked to the state of world supply chains, but attempts to restrain it are also amplified back through the global financial system. Since the dollar serves as the de facto global currency, tinkering with interest rates effectively revalues the cost of debt across the world economy, with the impact both narrowing and intensifying the further one gets from the Fed.

Above: Singing the International at the Socialist Youth Alliance conference, 1973
Below: Newspaper headline on a pamphlet produced by Resistance in the 1960s, instructing people on how to avoid the draft.

'Beat call-up' pamphlet tells how to wreck forces

SABOTAGE PLAN AT UNIS

The pamphlet's cover

The Attorney-General, Mr Bowen, has called for a report on a pamphlet that tells students how

The Herald 4c
63-0211 MELBOURNE, SATURDAY, JUNE 22, 1968 40 PAGES

In other words, it etches out the pattern of a lashing whip. A minor flick of the wrist—inching the interest rate up a few fractions of a percent—undulates out to the narrowest extremities of capital markets, where its impact cracks full-force against the lives of those tens of millions unlucky enough to have been born at the bottom of the world. Whether or not the bureaucrats believe themselves to be primarily tasked with managing a single national economy's money supply is irrelevant. The consequences of their actions always whip outward, first destabilising the poorest and most precarious countries where the growth boom itself had been only tenuous. Overnight, the cost of servicing debt increases. So too does the cost of inbound investment (which is usually dollar-denominated). The more general decline in global growth also means that decreasing investment elsewhere suppresses demand for the few commodities (namely raw materials) that compose the bulk of poorer countries' output.

The historical record here is salient: in response to the last inflationary crisis, Federal Reserve Chair Paul Volcker instigated a sharp rise in interest rates beginning in 1979 and peaking in 1981 (the "Volcker Shock"), intentionally marking up the cost of capital and triggering a recession.

This is widely considered to be the decisive pivot signalling the movement from loosely "Keynesian" forms of macroeconomic management, which often included fiscal stimulus and took full employment (or something approximating it) as its goal, to the current Monetarist consensus, which instead mobilises the central bank to manage the money supply with a preeminent focus on restraining inflation. But although the initial Volcker Shock was mainly designed to address the way that stagflation ate away at the assets owned by the wealthy in high-income countries, it also ended up precipitating the Third World Debt Crisis—an economic collapse so severe that many countries in Sub-Saharan Africa, for example, have still not recovered the levels of industrialization they had achieved on the eve of the crisis, with per capita incomes still lower today than their peak in the 1970s. Within the US (and the UK soon after), the interest rate adjustment also accelerated mass layoffs and factory closures, impacting unionised sectors the worst. In other words, the last major interest rate intervention made in the name of tamping down inflation was a naked deployment of class power that underlined the centrality of US interests in the global economic hierarchy and forced workers in the high income countries to bear the costs of economic restructuring—offering only a limited palliative in the form of debt-financed consumption and homeownership—while the rich easily pivoted into new lines of business.

Profits

But if the results of such interest rate tweaks are not limited to one country, neither are the causes of the inflationary wave itself. While the proximate causes of today's inflation appear incidental and unpredictable—the outbreak of a plague, followed by a war—these factors only accelerated trends already in motion. In fact, after almost a decade of near-zero interest rates following the Great Recession, the Fed had first tried to raise interest rates in late 2018 as a preemptive measure to cut off prospective inflation from a tightening labour market and to prevent the potential emergence of new economic bubbles. But the decision was reversed when stock market prices plummeted, threatening to annihilate the modest "recovery" from the Great Recession that had been painstakingly built atop a speculative tech boom and the autophagic financial magic of stock buybacks. In response, the Fed made an equally decisive correction, dropping interest rates back to near-zero, where they sat until the first few months of 2022. It was this 2018/19 cycle that instigated popular interest in Modern Monetary Theory and triggered the current round of debates over the mandate of the Fed and the prospect of "democratising finance." More importantly, the attempt to raise rates as early as 2018 also signals that the opposite of our current inflationary moment—almost a decade of extremely low interest rates that deflated the cost of capital and thereby accelerated the growth of new asset bubbles—had proven increasingly untenable. In a strange way, then, the current inflationary crisis is actually an expression of a much deeper deflationary trend built into the very laws of motion of capitalism.

This deflationary trend is easily visible in one of the most fundamental features of capitalist production: the tendency toward mechanisation. Competition drives the replacement of human labour with machines, allowing for more of a given good to be produced with less labour. This also stratifies the labour market, deskilling the labour that the majority of workers do even while increasing the complexity of skilled work. This enables management to both draw from cheaper pools of labour and exploit a whole new range of social divisions. While early adopters of new technologies can make windfall profits selling an increased volume of goods at the prevailing price while paying far fewer workers-per-unit, the price of these goods will ultimately tend to fall as the new technologies are more widely adopted by other producers. Since this process occurs just as easily in consumer goods sectors as in capital goods, it also means that the effective price of labour can be cheapened even further, since workers can buy more essentials such as food, clothing, and various home-goods, without an equally large increase in the wage. While certain sectors (usually classed together as “services”) may be resistant to technical transformation, the long-run tendency across essentially all commodities should be for prices to fall if production is proceeding apace. This is essentially what has occurred throughout the consumer goods sector, with the emergence of mass production and, more recently, the logistics revolution that has enabled globalisation cheapening clothing, cars, appliances, and a whole range of other products, making wage stagnation in the high-income countries more bearable while also amplifying the gains of rising wages in new industrial cores by muting the local price inflation that usually attends rapid industrial growth.

This means that, when inflation occurs outside the context of rapid industrial growth, it usually signals either some disproportion in circulation or some sort of problem within production limiting the supply of value in the first place. If confined to circulation, inflation is usually centred in a few sectors and has the classic character of an asset bubble, usually centred on some combination of real estate, stocks, or other private equities. Though it sounds counterintuitive, this sort of asset-price inflation can only really arise at scale in deflationary conditions (and tends to reinforce these deflationary conditions), since asset bubbles require high levels of debt and low interest rates. Sometimes, inflation confined to circulation can also take the form of classic monopoly pricing, where a cartel of major producers engages in price-gouging that directly affects only the commodities that they produce but often has indirect effects in related sectors; an example is the spike in oil prices in the 1970s, driven by the OPEC oil embargo. However, as noted above, windfall profits can also take this form for purely structural reasons, when inventories are sold off while production is constrained. In any case, these are all instances of inflationary islands within a deflationary sea.

Over the past thirty years, this kind of asset price inflation has grown increasingly dominant, driving the rapid increase in cross-border flows of liquidity and changing the very shape of the global economy to prioritise “carry trades,” where (to simplify) debt is taken out in currencies with a low interest rate and used to invest in other higher-yielding currencies or assets. Also crucial here is the fact that, according to Brenner, the relative competitiveness of different currencies—with a “weaker” currency effectively cheapening production costs and thereby making a country’s manufacturing industries more competitive in the global market—also structures the global hierarchy of production. Areas with rapid industrial growth therefore see inflationary pressure (enabling rising wages) that simultaneously attracts both investment in the growing productive sector and purely speculative portfolio investment that exploits the yield differential—with the volume of capital flowing into speculative assets often outgrowing that flowing into traditional FDI, further suppressing the competitiveness of manufacturing and inflating an asset bubble atop declining industrial profits. The classic example is Japanese development in the latter half of the twentieth century. The phenomenon is, again, not at all foreign to conventional economics. Brenner’s basic boom-and-bubble narrative is echoed by Tim Lee, Jamie Lee and Kevin Coldiron—all current or former managers at hedge funds and other private equity firms—who argue that these dynamics ultimately result in the emergence of a global “carry

regime" attuned to maintaining high asset prices and defined by a "sawtooth return pattern" in which the relatively smooth increase in returns from inflating assets is periodically punctuated by "short periods of sharply negative returns—carry corrections or crashes." Similarly, social scientists Lisa Adkins, Melinda Cooper, and Martijn Konings describe the same scenario as the creation of an "asset economy," defined by the fact that assets appreciate at a faster rate than either growth or wages, creating an entirely new landscape of inequality tied less to wages or returns on productive investment and more on access to flows of rent.

The emergence of this "carry regime" or "asset economy" is often narrated as a change triggered by a constellation of "neoliberal" state policies designed to favour the interests of the wealthy at the expense of workers, epitomised by the Reagan regime in the US and that of Thatcher in the UK. Since the Volcker Shock is often considered the inaugural act in the neoliberal offensive (followed by similar uses of high interest rates to discipline labour elsewhere), the contrast between a "Keynesian" period of high public spending, high wages, and high inflation to a "Neoliberal" period in which all three are reversed seems, on the surface, to be obvious. Similarly, it is evident that finance became more central to the international economy over the same period, producing both a stark rise in global liquidity and the proliferation of myriad financial instruments. As profitability stagnated in the "deindustrializing" countries of the core, finance, insurance, and real estate (alongside bubbles in tech stocks and the odd oil boom) became the only sectors capable of buoying already-modest growth rates. In such accounts, structural dynamics are often acknowledged as constraints or inertial forces, but the ultimate responsibility again lies with "policy makers," who are essentially selecting between two possible worlds: a) the Keynesian world of "deflationary inflation," where asset prices depreciate but (the hope is) wage growth and public spending accelerate at a faster pace, allowing for full employment to be approximated at the expense of capital gains; or b) the Neoliberal world of inflationary deflation, where asset prices appreciate faster than wages or general economic growth and public spending is suppressed, allowing for capital gains to skyrocket at the expense of labor income.

In this scheme, the trend of economy-wide inflation tracks the passage between the two worlds. If the deflationary success of the Volcker Shock ripped open the policy portal leading from the Keynesian to the Neoliberal universe, then some sort of inflationary shock must be necessary to open the door to the "democratic socialist" future of full employment and "public finance for the people." This would necessarily entail the end of the asset economy and the inversion of the carry regime. But what, exactly, would this look like? According to the hedge fund managers, "the absolute end of the carry regime is likely to be marked by either systemic collapse that ends the dominant role of central banks or galloping inflation—or both." The two options here are also interconnected, since the very attempt to stave off systemic collapse—maybe marked by an "exogenous" shock such as a pandemic, a war, a large popular uprising, or a series of ecological catastrophes—would likely induce inflation due to increased spending in the midst of economic shutdowns, with the effects cascading through supply chains well after the immediate crisis was over. For example, to prevent a deflationary collapse, "one extreme measure would likely be the direct monetization of government spending: sending checks to every family or individual [...]" Not only is this exactly what happened in the years of the pandemic, but it also describes the basic thrust of the Universal Basic Income plans proposed by many progressives and democratic socialists today. Ultimately, the hedge fund managers conclude that a range of interventions by the Fed and Treasury would be able to stave off systemic collapse. This leaves us with the other alternative, wherein "the carry regime will be ended finally by high inflation" and, thus, "from a macro perspective [...] an important sign that the carry regime is ending would be the emergence of inflation itself." Inflation is most likely to emerge gradually, accompanied by increasing financial volatility. However, "once high inflation is entrenched" and no longer responsive to central bank policy, it is hard to see how the carry regime could continue to sustain itself.

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Meanwhile, the broad strokes of the hypothetical "anti-carry regime" that could emerge in the aftermath are also loosely predictable, since they're just the opposite of the regime currently in place: high general inflation, the depreciation of assets, the "receding importance of financial markets," sharp growth in the real money supply (driven by stimulus and even direct money printing, but also by expanding demand for bank credit, since debt burdens would cheapen over time), crises marked by inflation spiralling out of control (rather than the rapid deflation that etches the "sawtooth pattern" of a carry crash) and a collapse in the demand for both "money-like" assets and even true money despite the growth in the money supply (since inflation ensures that holding cash will, over the long-term, result in losses). At the international level, such a regime would likely be marked by declining global liquidity, the fragmenting of global trade, increasing conflict between currency blocs competing in the space left by a declining dollar, and new inflationary crises blossoming across the world, most likely consuming the weakest economies first.

In the end, the inflationary alternative to the present world would seem to be little better than the current one. This is because two are not, in fact, separate worlds, but merely the two hemispheres of a single spinning planet. While the sun may gradually set on one and rise in the other, the empire of capital is always bathed in light. Fashionable academic discussions about the "death of neoliberalism" therefore add little, if any, insight beyond the trite observation that the sun sometimes sets. Meanwhile, it seems likely that an inflationary world will combine the worst features of the present with the grimmest prospects on the horizon: high inflation alongside high inequality, stagnant growth alongside stagnant wages, trade wars and forever wars side by side. As might be expected, the hedge fund managers at least offer a blunt diagnosis, stressing the reality of class power regardless of which door we might want "policy makers" to pry open: "From the point of view of society as a whole, and not merely financial speculators, both the carry regime and the hypothetical anti-carry regime will have the feature that those with the greatest resources will be the winners."

Power

Ultimately, though, the point is not to scour the dark hills for undiscovered monsters. There is no "true" cause of inflation lurking beneath the wage-push theory or the appeal to corporate greed. Inflation and deflation are epiphenomenal price trends which, large or small, are akin to tides and waves undulating across the surface of the great sea of our total planetary productive power—what Marx called value—as it is actually organised by the social relationships spanning the human species. What we think of as "policy" must ultimately accord with the demands of planetary production. Policy is therefore a discussion over the terms of the hostage situation that is the economy, not a way to end it. In other words, the entire process of making policy occurs within the bounds of a rigged game, with both inflationary and deflationary spirals—or simply "economic crisis" in general—marking moments when the basic relationship of power built into the game must be reasserted. This is a constant reshuffling, in which the "countervailing tendencies" holding back the fall of profitability enable the reproduction of the same basic relationships that structure capitalist society through the continual reinvention of these relationships. Though this process seems to constantly generate new "varieties of capitalism" (whether divided by decade or branching at national borders), little actually changes.

There is only and has only ever been a single capitalist society. The long-run expansion and development of this society changes the conditions in which it must survive, but without changing its basic laws of motion. New institutional arrangements, new geographic centres, the emergence of new technologies—these are all, in the end, adaptive reiterations of those same laws. Incidental variation must be distinguished from the more essential changes induced by the motion of these invariant laws across time and space. The latter are only traceable in the secular tendencies visible over the long-run: the constantly increasing scale, complexity and geographic extent of production (accompanied by more intricate state intervention, larger monopolies, more complex

supply chains requiring more detailed coordination, the intensification of production's geomorphological impact, the penetration of market logic into new realms of life, etc.); the growing ability to produce more goods with less labour and the subsequent tendency to exclude larger shares of the human population from productive activity (Marx understood the former as the main means for expanding relative surplus value, of which the latter is a consequence, constituting the "general law of capitalist accumulation" that appears today as a rise in "informality," "precarity," and the "service economy"); and the opening of a larger and larger rift between the matter and energy requirements of the planetary production complex and the matter and energy cycles that compose the Earth system (most obvious today in the form of climate change, but better understood as a more general ecological catastrophe spanning mass extinction, deforestation, the gradual exhaustion of soil systems, etc.). These secular tendencies also shape and reshape the most invariant feature of capitalist society—class conflict—constantly recalibrating the prospects of revolutionary change.

Breakdowns in the price system, whether inflationary or deflationary, thereby carry two seemingly opposed implications. Viewed from the perspective of the system's reproduction, they are both methods of reasserting stability and moments when all the silent compulsions that structure capitalist society become temporarily audible. Despite all the technical debates about the mechanics of inflation and interest, or the meagre hopes that policy might be used for "the people," macroeconomic management is and always will be nothing more than a knife at your throat. The interest rate ticks up and inflation eats away the rise in your wage. The interest rate ticks down and bubbling asset prices hike rents, keeping homeownership always just beyond your reach. In this moment, we've been blessed with the worst of both worlds. High asset prices have remained high even while the cost of food and gas continued to climb. The effects are undeniable, with the most egregious examples visible at the opposite edges of the class divide. As of 2021, the richest 10 percent of the world population owned 76 percent of all wealth, compared to a mere 2 percent held by the bottom half of the population. This wealth inequality not only widened rapidly during the pandemic, but also saw the fastest increase in wealth concentrated at the very top: in the same year, roughly 11 percent of all wealth was held by just .01 percent of the population, an increase of a full percentage from the year prior, with the (roughly 2,775) billionaires in the world seeing their share increase from 2 percent in 2020 to 3.5 percent in 2021 and the total growth in their wealth amounting to some 4.4 trillion dollars. Meanwhile, over 120 million people had been pushed into extreme poverty, nearly wiping out an entire decade of (modest) income gains among the world's poorest. This is the context in which the current inflationary burst began.

While these trends are, as always, most extreme when measured at the global level, this does not mean that those in the wealthiest countries have been immune from the impact. The class divide is a faultline that cuts below and beyond every border. On the eve of the pandemic, the only systematic census of the US homeless population—the HUD's annual "Point-in-Time" (PIT) count, widely acknowledged to be a substantial underestimate[43] of the true number, designed to measure the minimum of the range rather than the central tendency—counted a total of 580,466 homeless people across the country, roughly 61 percent of whom had access to homeless shelters, with the remainder unsheltered. The highest per capita rates were seen in cities with the highest property prices. This link between asset inflation and homelessness should come as no surprise. According to one recent study, across twenty of the largest urban centres the country "a one hundred dollar increase in median rental price was associated with about a nine percent increase in the estimated homelessness rate." More rigorous population counts conducted by local authorities in these places indicate that as many as 1-3 percent of the total population are homeless, with many of these states also seeing substantially higher shares of unsheltered population, alongside higher rates of homelessness in both suburban and rural areas. After the outbreak of the pandemic, however, two things happened: first, in an attempt to implement social distancing measures many shelters cut their total number of beds and pivoted into alternative

service schemes; and second, in 2021 HUD simply cancelled the count of the unsheltered population entirely. This decision was made despite their own data showing that the total number of unsheltered individuals had been rising faster than the total sheltered even prior to the pandemic.

This homelessness crisis, inextricably linked to asset inflation, has now been accompanied by a growing crisis in other subsistence goods as inflation spreads to fuel and food. Thus, the pandemic and subsequent inflationary burst also saw a stark increase in both survival crimes—such as shoplifting food or baby formula—and the more speculative spread of black-market commerce, such as the resale of syphoned gas or the trade in stolen catalytic converters. The popular press blames the entirety of this rising criminality on the homeless. But when rising costs make the conditions of life untenable, more and more people will find alternative ways to glean the means of their survival. These alternatives should not be romanticised, nor should they be seen as somehow escaping the bounds of the capitalist world. They are instead grim options of last resort, often operating within a nexus of secondhand predation controlled by a different order of black-market capitalists. The result is usually tragedy—the slow reactionary suicides of the dispossessed preying on the slightly-less-dispossessed in an unfolding fractal of backstabbing. But these widening rifts in the status quo also reveal the potential for new modes of proletarian power to emerge if the different battles for subsistence can be superseded and synthesised within a greater struggle. Similarly, the most hopeful aspect of any breakdown in the price system is the return of the spectre of expropriation, the most distinctive feature of communist political practice.

On their own, both illegality and the various forms of self-consciously political organising—ranging from “autonomous” activities such as mutual aid to the institutional projects of formal trade unionism or policy advocacy—tend to remain segregated from one another and from the population at large, with each form romanticised by some political faction within the broad but shallow “Left.” Kept separate, these activities are not only weak, but often actively undercut each other. If we take a more expansive view, however, the potential to build communist power is just as visible in the increasing popular interest in unionisation as in the semi-improvised, semi-organized looting networks that developed through the George Floyd uprising. After all, class struggle is always reborn in battles over the terms of subsistence. But it also quickly withers if confined to merely negotiating the conditions of survival. It only grows into something more when the walls dividing the various channels of subsistence are broken down. If we were to choose a single principle according to which communists might orient themselves and appraise the success or failure of their various efforts, it might be something like this: small expropriations must grow into large ones. In other words, true communist combines can only emerge when the rudimentary forms of organisation gestated in these sequestered subsistence struggles evolve beyond their initial bounds, shattering the separation that prevails between the different political paths—illegality vs. legality, policy vs. autonomy—and thereby also spanning the divides between the dispossessed. Obviously, this is not possible when struggle remains solely subcultural, nor when it is pursued purely within existing institutions. The first principle therefore implies an ancillary one: any political strategy that tries to sidestep, deny, or flee from the necessity of expropriation is not communist in character.

In all likelihood, the current inflationary burst will recede. Inflation will not immediately become entrenched and the current supply chain obstructions will be smoothed out. In the US, the CPI is already trending slightly downward, and the Fed has hinted that the next round of rate increases may be followed by declines in 2023. While it’s likely that areas more directly affected by the ongoing energy shocks due to the war in Ukraine will have greater difficulty reversing the trend—this is evident in the vast declines in real wages across Europe, for instance, and the prospect there of a cold, dark winter—there does not yet seem to be the political will to fully deflate the asset bubbles propping up the (slow, but not insubstantial) growth rates of the high-income countries. As protectionism, the regionalization of supply chains, the growing monopoly power of contract

manufacturers, and widening political sanctions all continue to mute growth in world trade and further segment capital markets, however, the risk of new inflationary bursts only grows. Similarly, cascading ecological catastrophes and other seemingly "exogenous" shocks are becoming monthly affairs. Just as the CPI began to decline from its summer peak, for example, Pakistan suffered devastating floods that placed a third of the country underwater, displaced millions of people and destroyed millions of acres of cropland—likely to impact world prices for wheat, cotton, and possibly rice. On the one hand, then, the current carry regime is already exhibiting diminished returns and the extreme levels of inequality visible in the world's wealthiest cities and between the richest and poorest countries are making its continuation increasingly unpalatable. On the other, the deflationary carry crashes that have marked the last thirty years will now be accompanied by more frequent inflationary crises linked to the slow fragmentation of trade and production.

In the extreme, this fragmentation will take the character of aggressive mercantilist policies aimed at catalysing industrial competitiveness (such as those currently being pursued in India) or even the cartelization of crucial commodities sectors (oil on one side and lithium on the other) possibly combined with the (always partial) political delinking of entire national economies (the acute example being Russia, though Brexit illustrates a milder case of the same basic trajectory). The realities of climate change will, meanwhile, see such policies justified in terms of resilience, each region rendered as a green fortress that must, for its very survival, erect walls against the rising tide of climate refugees, secure its own sovereign sources of energy and food, and tend to the growing police and military infrastructures deemed necessary to survive in the face of domestic unrest and foreign threats. These trends will only drive further overcapacity in core industries, pressing down global growth even if they succeed in raising growth rates for the few winners in the zero-sum game. As it has in the past, renewed geopolitical jostling within the imperial hierarchy will again take the form of a righteous struggle by the countries forced to occupy lower positions in the great pyramid of syphoned surplus value. In the name of development, they will utilise allegedly "socialist" methods such as state planning and subsidisation of key industries to assert the ascendance of their national ruling classes against the decaying imperium. In such a moment, the divides between the dispossessed deepen at both the domestic and international scales. Communist power is built by breaking down such divides, refusing to stay sequestered within subsistence struggles or to take sides when a lesser imperial power challenges a greater one, instead constructing subterranean infrastructures that integrate the illegal and legal, the autonomous and the institutional, and connect the "national" proletarian forces on all sides of every warning border under the banner of ever-grander expropriations, thereby superseding all such categories in a broader conception of political power—and maybe, just maybe, wresting the knife from our throat to wield it against the blood-fattened bastards who own every inch of this dying world.

German Ostpolitik Collapses

by Dan Lazare, published in the Weekly Worker

US imperialism has Germany in its sights. First, there was Nord Stream, the dual gas pipeline that was supposed to solve Berlin's energy needs for a generation, but which somehow got blown up exactly four months ago, although everybody is afraid to say by whom (hint: the perpetrator's name rhymes with 'Erika'). Then there was the Inflation Reduction Act, which president Joe Biden signed into law in August and which provides potent subsidies for German manufacturers wishing to relocate to the United States. Then, after the UK committed to sending 14 Challenger 2 tanks to the Ukrainian battlefield, there was the furore over Germany's reluctance to do the same with its Leopard 2 tanks.

Olaf Scholz has now, of course, caved in. He told Bundestag MPs that his red-green-yellow coalition government will transfer 14 tanks and grant permission for other countries to send theirs too. In a quid pro quo Biden says the US will make available around 31 M1 Abrams to Ukraine. Clearly Germany has been set-up and bullied into submission following a concerted propaganda campaign.

"Germany's hesitation is a critical challenge to western unity, and Mr Biden cannot sit pat in the face of it," thundered The Washington Post. Translation: Berlin must be beaten into compliance so that unity can be maintained. The New York Times meanwhile complained that Berlin is letting a little thing like World War II cloud its good judgment, and it has even found a pro-war intellectual - the ever-reliable Timothy Garton Ash - to back it up. "The German position is profoundly confused, with the old thinking dead and the new not yet born," Garton Ash dutifully replied in pseudo-Gramscian tones.

If only Germany was as clear-thinking as America, it would understand that tank warfare on the Eurasian steppe is no big deal. Considering how many millions the Wehrmacht killed the last time around, what's a few thousand more dead Russians?

As a result, the Bundesrepublik finds itself hemmed in on every side - its energy supplies cut off, its industry lured away, its bravery questioned even by the ultra-right government of Poland. "What is your goal in this war?" a frustrated Dietmar Bartsch, a member of Die Linke (The Left), asked in the Bundestag recently. "If you think you can win a war against a nuclear power, then you are deeply mistaken." But that is precisely what the US thinks, and it is what it wants Germany to think too.

Why has Germany wound up in such straits? The answer is that, while America's primary target in Ukraine is Russia, Ostpolitik - Germany's long-term policy of cooperation with the Soviet Union, the former German Democratic

Republic and now the Russian Federation - has been running a close second. This is a policy that goes to the heart of the German Social Democratic Party - not only what it believes but what it is. But it is a policy that the US is now determined to tear out by the roots.

Ostpolitik began with Willy Brandt, the SDP mayor of the then-divided city of Berlin, in the late 1960s. Although the US was initially taken aback, it was mollified once leading conservatives of the day, such as Helmut Kohl and Franz Josef Strauss, endorsed the doctrine as well. While attitudes would wax and wane over the coming years, it was only after Vladimir Putin came out against Nato intervention in Libya in 2011 that US hostility began to harden. Other incidents followed: US support for an incipient 'colour revolution' in Moscow that raised Kremlin hackles; Russian military intervention in Syria against US-backed jihadis; American backing for a neo-Nazi-led coup in Kiev; Russia's seizure of Donetsk, Luhansk, and the Crimea, etc.

Nord Stream 2

With each downward tumble in US-Russian relations, Ostpolitik grew increasingly suspect in US eyes. The US did not object to Nord Stream 1 when it opened in November 2011, because relations with Moscow were still more or less on an even keel. But it changed its mind as soon as Russia and Germany began discussing a second pipeline.

Joe Biden denounced Nord Stream 2 in his waning months as vice-president in August 2016, while Richard Grenell, Donald Trump's ambassador to Germany, threatened to impose sanctions on companies working on the project in early 2019. Senator Ted Cruz, the far-right Republican from Texas, whose gas exporters were eager to muscle in on European markets, also threatened sanctions. Democrats, hawkish think tanks like the Atlantic Council, and the corporate media all clambered aboard the anti-Nord Stream 2 bandwagon.

What had changed was not the pipeline, but the overall political atmosphere. As temperatures continued to climb, US attitudes went from hostile to downright threatening. "If Russia invades Ukraine, one way or another, Nord Stream 2 will not move forward," the neoconservative doyenne, Victoria Nuland, Biden's undersecretary of state for political affairs, declared in January 2021. "If Russia invades ... there will no longer be a Nord Stream 2. We will bring an end to it," Biden added on February 9: When a reporter asked how he would terminate a facility that was in foreign hands, he replied, "I promise you, we will be able to do it."

The comment, made at a joint White House press conference with SDP chancellor Olaf Scholz, was aimed as much at Germany as Russia. Ukrainian president Volodymyr Zelensky followed up by appealing to Qatar, that famous bastion of Middle East democracy, to replace Russia by shipping its own gas supplies. Then Ursula von der Leyen, president of the European Commission, blasted Moscow for imposing a 15% cut. (After blaming Russia for selling too much gas, western leaders then blamed it for not selling enough.)

Finally, he who must not be named opted to cut the Gordian knot by blowing up the pipeline on September 26.

With that, Ostpolitik came not just under ideological attack, but under military assault as well. The Biden administration was just as ruthless when it came to the $430 billion Inflation Reduction Act. Bombarded with European complaints that the measure's manufacturing subsidies fly in the face of World Trade Organisation rules, the White House simply shrugged them off the way a horse shrugs off a pesky fly. All Biden cared was that the bill would create "tens of thousands of good-paying jobs and clean energy manufacturing jobs ... all across America, every part of America" and that was it. The rest was so much background noise.

By January, Belgian prime minister Alexander De Croo was complaining that US officials were "calling firms, in a very aggressive way, to say 'Don't invest in Europe - we have something better.'"8\ Scholz registered the same complaint a few weeks later at the World Economic Forum in Davos, although in much milder tones. The Inflation Reduction Act's made-in-America provisions "must

not result in discrimination against European businesses," he said, because "protectionism hinders competition and innovation and is detrimental to climate change mitigation". As to what to do in response, all he would say is that European Union members are "talking to our American friends about this". Poor Olaf cannot bring himself to speak ill of a friend, even when he is stealing away jobs.

Then there are those German-made tanks. Easier to maintain than the M1 Abrams and dependent on ordinary diesel rather than jet fuel, the Leopard 2 is an excellent weapon in just about everyone's estimation, which is why 14 European nations have them in their arsenals, along with Canada, Chile, Indonesia and Singapore. But sending them into battle where World War II Panzers had gone was a bridge too far in terms of German sensibilities ... for a brief moment. It is not only another mechanised war on the Eurasian steppe that has Berlin worried, but what Russia might do in response. As one Euro hawk explained, "The chancellery is enormously afraid of nuclear war, and they perceive that they are the prime target for that. I don't know how this strange perception came about."

Strange? Benjamin Tallis of the German Council on Foreign Relations added: "Russian propaganda has been targeting Germany in particular to try and sow this nuclear fear." Evidently, Germany should not give into blackmail, even if a few mushroom clouds go off in its own backyard.

Germany's plight is the result of the old crisis of imperialism and social democracy making a new appearance in the early 21st century.

Officially, the US-engineered war in Ukraine is going swimmingly. The Kharkiv offensive that Ukraine launched in early September boosted morale, the western alliance is holding firm, while public support is also holding up. Yet the old façade is starting to crack. Economic tensions are rising, as is public anger over energy prices and budget cuts. After years of anti-Russian propaganda, it is easy for the press to blame the war on an infinitely evil Vladimir Putin - "the new Hitler", according to Garton Ash. Yet, considering how many countries the US has invaded in response to its own paranoid security concerns, the argument is so ridiculous that it is falling apart under its own weight.

Mandelites

All it would take is a mild push from the left for it to topple over in a heap. But, given the latest rah-rah pro-Zelensky statement issued by such Mandelite luminaries as Samuel Farber, Alan Wald, Robert Brenner and Suzi Weismann, it appears that both intelligence and guts are lacking. So the imperial propaganda machine is still able to stagger on, if only for a time.

The war is meanwhile not going well for Nato. The Kharkiv offensive has given way to a grinding war of attrition, as Russia tightens the noose around Bakhmut, 130 miles to the southeast. German intelligence is reportedly alarmed about "three-digit" Ukrainian casualties per day in and around the shell-torn city, while fears are growing of an impending Russian offensive. This is why western leaders were in such a panic over the Leopard 2s - because they are terrified of what Russia has in store and therefore want to arm Ukrainian forces to the teeth.

Obviously, 14 Challengers 2s, 14 Leopard 2s and 31 M1 Abrams can only have a marginal effect. That is why Zelensky and his cronies have been demanding at least 300 front-line battle tanks (as well as up-to-date combat aircraft). Meanwhile, Russia's ambassador to Washington, Anatoly Antonov, has denounced the delivery of western tanks as "another blatant provocation" and warns of a "global catastrophe".

State Debt as an Anchor Point for Capitalism

by Comrade Dave, published on the with sober senses blog.

Across society battles are emerging that are contesting the content of what 'Living with Covid' means. In NSW we see three fronts of class struggle: nurses, teachers, train drivers. All state employees, all working in what we could consider to be social reproduction, fighting over broadly the same issues: pay, staffing and quality of the service provided. They are specific fights which are also starting to construct the possibility of a common good and a good life. (Since writing these words a strike by Aged Care workers has been voted for – showing a movement of struggle into private providers of care services). On the other hand, we have a dwindling Freedom movement. Reacting against the state management of social life in response to COVID (and arguably the continual decay of the conditions of the masses in general) expressing their opposition to these restrictions through audacious protests – increasingly interpolated by an ideology of the Cosmic Right and enmeshed with the various fractions of Australia's reactionaries.

Above this the state, the executive committee of capital, is attempting to manage the contradictions of both popular desire and accumulation. It does so in a condition of intellectual and theoretical disarray amongst the media and political caste. There is no clear strategy for capital at this historical juncture. Political fractions attempt to displace this lack by endlessly stoking culture wars, reactionary and progressive, and old ideas are recycled and reinflated (maybe another Accord?). This is a local version of a global illness: 'I think what we must diagnose instead is a ruling class brain tumour: a growing inability to achieve any coherent understanding of global change as a basis for defining common interests and formulating large-scale strategies'.

During the election campaign, we saw this play out at a distance as a debate over 'economic management.' In this atrophied public spectacle economic management boils down to a few questions – debt, productivity, IR reform, privatisation. Obviously, there is a discursive relationship between these issues, but it is debt (and moving from deficit to surplus) which has become the totemic economic question of the media and political caste. Thus, we see the reheating of arguments for the necessity of paying down state debt. Achieving a budget surplus, or at least reducing the level of debt and deficit, is seen as the very basis of good economic management. Though increasingly there is some questioning of this doxa, and some influence of Modern Monetary Theory (MMT) amongst the Left. However, this debate is a vortex of stupidity, the gravitational pull of which threatens to also suck in friends and comrades amongst proletarian forces.

For the Right debt itself is a problem for capital accumulation. The logic for why this is varies: large debts shows that that government spending is large and thus private investment is crowded out, or state expenditure pushes up prices thus inflation; or the need to pay off debt in the future means that at some point the state will increase taxation and as such this dampens down businesses desires to invest today.

State debt, as a product of state spending, thus functions in the right-wing economic imaginary as an external cause of disequilibrium to an

otherwise smooth functioning market economy. Added to this state spending is often on things that are believed to be in themselves distortions of market equilibrium: welfare payments, the provision of social services and associated public sector wages.

Faced with an unclear future for capital accumulation the road then is obvious. The reduction of debt is a way to clear away distortions from the market economy and open-up the road to capital accumulation. This often links with another plank of the ideology of good economic management – that increasing productivity increases incomes since for these Pharisees the incomes of both capital and labour are apparently determined by productivity. Since they argue that an impact of the open operation of the market is to increase productivity, the sweetener given is that pain today will equal more income tomorrow. That fact that there is no obvious historical, or convincing theoretical, link between productivity and wages (beyond the deal between firms and unions that tied the two together in the post-war period) is a situation best ignored.

For the Left a totally different set of concerns are made in relation to debt. Since the problems of capital accumulation are largely understood through a Keynesian frame, that the problem is insufficient levels of demand, state spending is then seen as necessary to both a) restimulate growth b) reshape growth towards better social outcomes. For those influenced by MMT debt is not a problem as state spending can becoming endlessly self-financing and self-referential as long as it doesn't exceed the real capacities of the economy and drive-up inflation. For those not influenced by MMT state spending can be financed and debt reduced by increased taxation of the mega-rich. The latter being a positive political outcome in itself.

With much of the Left sharing the delusion of the production function, that productivity drives incomes, state expenditure on roads, education, childcare, etc are seen as increasing the productivity of the entire economy... and thus incomes.

Both these Left and Right versions then view the question of debt as one where government policy, to spend or to cut spending, can function as the core of an effort that stabilises the capitalist economy, and redirect it towards ends they see as good in themselves. Cutting debt and thus spending for the Right always increases what they understand as the realm of freedom, increasing state spending for the Left increases equality etc.

Both wings of the political caste are blind to both the deep structural tendencies towards crisis and how this has led to an expansion and transformation in the role finance plays in global capitalism and thus the importance state debt plays as an asset in anchoring the capitalist mode of production.

Since the crisis of the 1970s, which we can describe as one of overaccumulation driven (at least in part) by the waves of struggles of the 'Red Decade', there has been a hypertrophic growth in finance, both in total volume and proportion of the global economy. Finance has become 'consubstantial with the production of goods and services' (Marazzi, 2011, p. 28). Meaning that the other circuits of capital accumulation – the production and circulation of commodities – have become increasingly reliant on finance. Investments by firms and purchases by consumers are increasingly financed by debt, and financial assets (also often purchased on credit), including the securitisation of these debts, offset dwindling profits and crappy wages. All of this has been held in the air by central bank strategies, that despite ideological lip service to a Great Moderation, have on the whole kept cheap money flowing through relatively low interest rates after the Volker shock. (Though in the face of rising inflation the central banks are being compelled to take their feet off the peddle).

No surprise debts, for states, capital and households, have, as a general tendency, massively grown. And crises around debts have emerged. We normally assume that there is some relationship between say a company and the value of bond or share associated with it. Though how far this relationship can be stretched is an open question. With much financial speculation (the gains from which then flow back through the system into other company profits, state

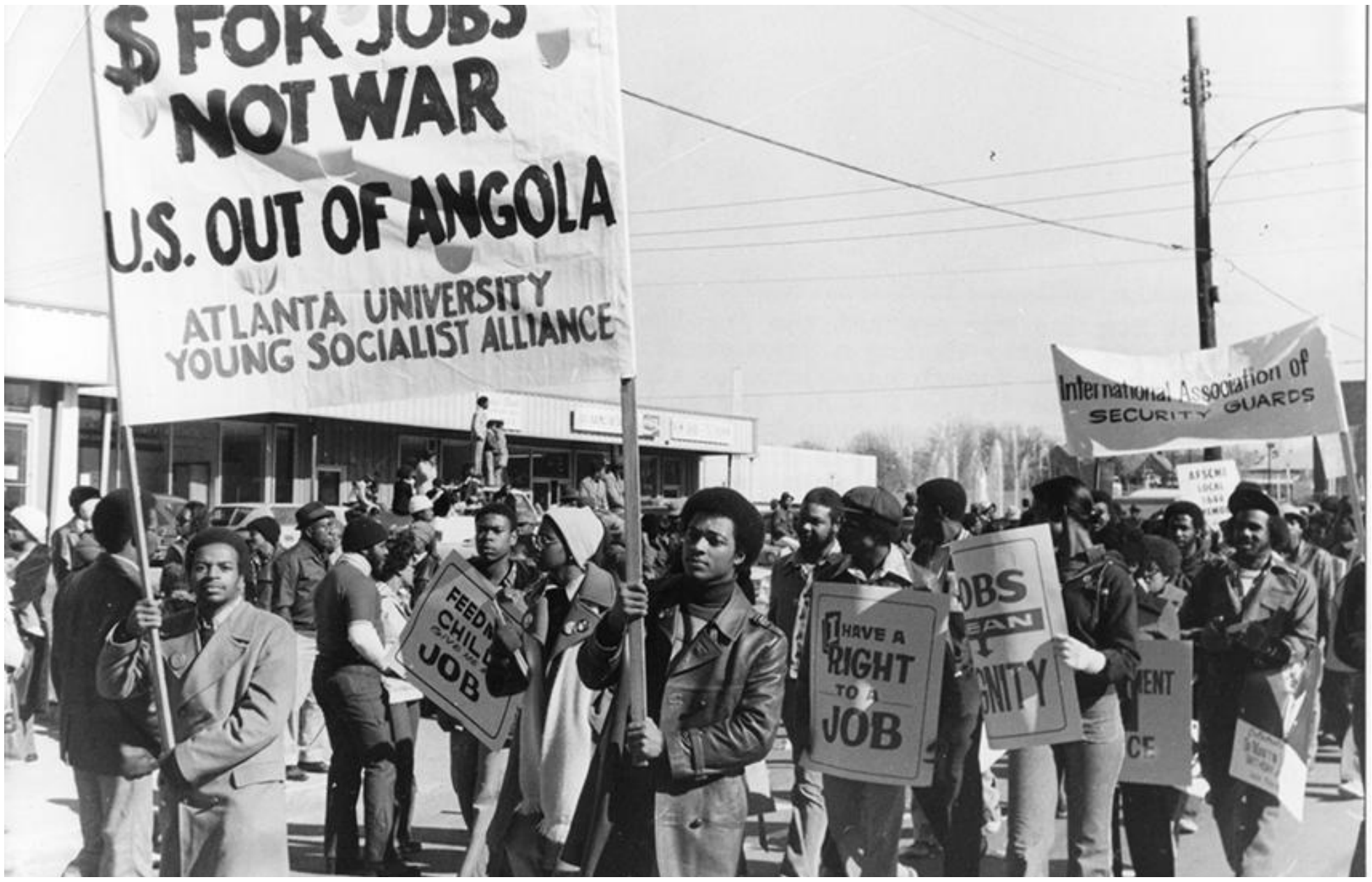
investment funds, private speculators, superannuation, and retirement funds etc.) being driven by seeking capital gains aided by cheap money this can get very stretched indeed. As Marazzi, riffing off Keynes, argues what seems to drive financial markets is the herd mentality of the market: what each player thinks all the other players think all the other players think about the behaviour of the market. But this means there are crisis moments where the gap between the actual firm, state, etc conditions and price of a related asset can explode (the relation of financial crises to the rest of capitalism being sometimes obvious, sometimes obscure, and much debated).

Here state bonds play a particular role. State debt and the trade around them functions in practice as a key stone of finance capital, on which the entire mode of production depends. State debt functions as both a safe asset for investors and a marker for the pricing of all other assets and thus the behaviour of all other actors in the market. When the Howard-Costello government had the opportunity to pay off all Australian debt, it was the analysis of state debt's dual role that convinced them not too.

Even if the MMT claim that states spend first, borrow second and tax third is true, currently in practice states link their spending to bonds on which finance capital requires. "Finance capitalism is – and always has been, meaning: for the last 500 years – a central and constituent element of capitalism in general". Thus, the logic underpinning the state's behaviour in relation of debt, however it is filtered through the ideology of the day, is the requirement of the state to secure the value of its bonds thus the investments of its creditors, the health of finance capital and thus the health of the capitalist mode of production on a whole. A theoretical state could junk this in practice, but it would throw really existing capitalism into increased disarray. And states, whatever the flavour of their governments, are enmeshed within and subordinate to capitalism as a mode of production in its concrete local and global instantiation.

When cuts to state spending are declared many friends and comrades pose the battle as one between social needs and neoliberal ideology. This is an error. It is a contradiction between how social reproduction is managed by the state in relation to the health of the capitalist mode of production on a whole. The secret of austerity is to try to secure the latter by intensifying the work and reducing the costs of the former (i.e., wages of workers and staffing numbers employed by the state and by shifting more and more of the cost and work into the home and onto the wages, and thus the debt, of households). Our point of orientation should be our needs and desires, how they are met or not met by the current level of social reproduction, against attempts to make their provision worse, and how we would like them to be better – as part of the struggle to abolish the capitalist mode of production and build a new society around common ownership and collective self-determination. Having a clear understanding of the function of state debt is helpful in clarifying the terrain on which we move.

BACK MATTER



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